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incomes and opportunities

a commentary by the
national council of welfare
on the government of canada's
working paper on social security

november 1973



national council
of welfare



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INCOMES AND OPPORTUNITIES

A Commentary by the National Council of Welfare
on the Government of Canada's
Working Paper on Social Security




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November 1973



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INTRODUCTION

In the past three years the National Council of Welfare, in its capacity as an advisory body to the Minister of National Health and Welfare, has issued statements and reports on a number of areas of social policy. Each of the diverse areas we have examined and reported on, however, has led us back to the one factor which is the single most major cause of social tension, of family breakdown and of individual dysfunction - inadequate income.

Earlier this year, for example, in One Child, One Chance, a report on nutrition, we noted that:

In the case of nutrition, as in so many other instances, the search for a solution ultimately leads to the same obvious fact: that for every Canadian to have adequate food, shelter, clothing, medicines - the basic necessities of life that require money to buy - they must be ensured an income adequate to buy these things.

It is therefore the principal recommendation of this report that the most important single step toward ensuring nutritional adequacy in the diets of all Canadians is the provision of a guaranteed annual income adequate to meet the basic needs of all Canadians.

The National Council of Welfare first issued this call for a guaranteed adequate income for all Canadians in April 1971 in its Statement on Income Security, a

commentary on the Government of Canada's White Paper on Income Security which had been released a short time before. As we said at that time, our assessment of that White Paper was critical:

It is critical because we believe the White Paper is based on social, economic and political assumptions that are no longer valid ... It assumes the virtue of the status quo in all major regards and talks only of minor adjustments where the need is of major change ...

But this will not happen unless we are prepared to question all those clichés of the conventional wisdom which the White Paper assumed valid and took as the starting points for its proposals.

We proceeded in that statement to point out that the traditional notion on which that White Paper was premised - that economic growth would somehow reduce and even end poverty - ignored entirely the facts of who were the poor in Canada. Economic growth produced higher corporate profits. It did not produce higher old age pensions, higher family allowances, higher disability benefits, higher social assistance levels or higher anything else that could put money into the hands of poor people. Even the argument that the working poor benefitted from economic growth reduced itself to the crudest form of the "trickle down" theory - that the poor live off the leavings of the rich and are therefore better off if the rich get richer and leave more. In fact, what a period of rapid economic growth often means for the low-income wage earner is simply that prices rise faster than his wages and, relative to meeting his needs, he becomes poorer.

After examining the "present patchwork quilt of income support programs" we argued that:

The indefensible inconsistency of the result argues strongly for a consolidation of income support programs, either in a single program or an integrated system of interlocking programs. Whether a unitary or multiple program approach is adopted, the result will be viable over the long term only if it is based on a single clear principle: that every member of the Canadian society has a right to a share of the national wealth sufficient to enable him to participate fully in that society.

A year later the National Council of Welfare issued a report entitled Guaranteed Incomes and Guaranteed Jobs. In it we argued the need for new programs of job creation based on a social concept of job definition. We welcomed the advent of such programs as Opportunities for Youth and Local Initiatives but expressed concern at their ad hoc and short-term nature, that:

Instead of building a new permanent concept of work in terms of community service, these programs have created only insecure, short-term filler jobs ...

We still have not adjusted our thinking to the notion that a job need not be unpleasant, that it need not involve the production of a commercial product. We still cling to the idea that activities such as undoing the results of pollution, providing services to senior citizens and improving the quality of neighborhood life are somehow unproductive forms of employment while putting the caps on bottles of underarm deodorant instead of letting a machine do it represents a contribution

to the nation's economic growth ...

There are no limits on our freedom to recognize as meaningful activity any sort of activity which is meaningful to us ... A program of job creation which is built on the premise that all forms of socially useful activity warrant recognition and remuneration could be capable of reaching virtually all but those who because of extreme age or major disability are unable to undertake any activity ...

But however broad and flexible, no work opportunity program will alone end poverty ... As long as remuneration for employment is not based on family size and family or personal need, no program of jobs alone can end poverty. Some form of guaranteed income program will still be required by those unable (whether for physical or psychological reasons) to engage in any form of work and those whose family or personal needs exceed their income from employment.

It is in the light of the views which we have expressed in these statements that we have examined the Federal Government's recent Working Paper on Social Security in Canada. Our reaction to it is tentative (it is itself a very tentative document) but, to the extent that its broad propositions indicate a new and hopeful direction, our reaction is favorable.

The Working Paper defines the "central objective" for a program of social security in Canada as being "an acceptable basic income for all Canadians ... For a basic income is essential if a person is to live in decency and in dignity." In this we heartily agree. What the Working Paper does not proceed to do - and what the present process of

federal-provincial meetings is directed at doing - is defining such things as the "basic income" sufficient to enable a person "to live in decency and in dignity". Such phrases will ring bitter and hollow indeed if the Ministers emerge from these meetings with proposals involving sub-poverty line income levels.

This process of federal-provincial collaboration in the development of a social security system to provide income adequacy for all Canadians began with the publication of the federal government's Working Paper in April. The general propositions of the Working Paper are to be translated into specific program proposals in the course of this process, and we expect to make our views known on these proposals as they appear. For the present we can only comment on the Working Paper itself and on that small part of the subsequent process as has taken place since its publication.

The Working Paper sets out 14 propositions. Some of these are fairly specific, but a number of them are of so general a nature that there seems little point to attempting to deal with each of the 14 propositions individually in this commentary. Some will be discussed individually but, for the most part, we will try to assess them collectively in terms of the twin objectives discussed in our earlier papers - guaranteed employment opportunities and guaranteed income adequacy for all Canadians.

EMPLOYMENT OPPORTUNITIES

We have said that we find cause for optimism in the Working Paper - in its promise of a basic income for all and its broad outlines of new programs directed at this end. We also find cause for concern in the Working Paper. Much of its discussion seems to us premised on a highly negative view of human nature. Perhaps when it is translated into program terms the "work incentives" with which the Working Paper is so concerned and the "opportunities for meaningful, adequately remunerated employment" of which we have spoken, for example, will prove much the same thing. We sincerely hope so, because if new programs are constructed on fallacious negative assumptions about those for whom they are designed, they will perpetuate the faults of their predecessors and duplicate their failures.

The Working Paper notes that "some 80 to 90 percent of the (welfare) caseload are disabled, or old, or single parent families". Although the remainder - the so-called "unemployed employables" - represents only a small percentage of the welfare caseload and, when the working poor are also taken into account, only about 3 percent of Canada's total poverty population, the Working Paper begins its presentation of propositions for action with what it calls "An Employment Strategy" directed at this group.

Community Employment Program

The employment strategy set out in the Working Paper consists of two general propositions and one specific - and potentially far-reaching - proposal.

That as a means of meeting social needs that are now neglected or inadequately met, governments should consider the establishment of a community employment program. Its purpose would be to provide socially useful employment to people who have been unemployed for an extended period of time, either by reason of the lack of jobs in the areas in which they might reasonably be expected to look for work, or by reason of the "employability" of the people concerned.

Discussion of a community employment program should begin with a clear definition of the role which it is intended to play, both within the social security system and also as an instrument of government economic policy. Is the program to be primarily an economic one, with a secondary social function? That is, is it primarily one to create more jobs, with the proviso that these should be socially beneficial jobs? Or is the program to be primarily a social one, with priority attached to the benefit which communities will derive from the work made possible by the program? In considering these questions, it is useful to examine the experience of the Local Initiatives Program (LIP).

When LIP was announced in October 1971, the

intent of the government was perfectly straightforward: An extraordinarily high rate of unemployment existed and it was projected that it would continue through the winter; the situation required immediate government action. The response was a large, but temporary, program of job-creation. The motivation behind the program was economic and, of course, political. Born of such conventional motives, LIP might have been a very conventional program. That instead it proved highly innovative was the result of two important factors.

First, rather than relying on the traditional kind of "make-work" approach of government sponsored pick and shovel brigades, community groups were invited to submit proposals on the basis of what they perceived as necessary tasks in their locality, and then to operate the projects themselves. Second, an important criterion in the selection of projects was "community betterment", a concept which went far beyond traditional notions of "physical improvement" to include a multitude of social needs. While still tied to its primary economic role of creating jobs, a secondary function - a social role - was assigned to the program.

What happened is of great significance. The vast majority of projects were ones which provided direct services to communities - services which had scarcely existed before LIP, or, where they had existed, were relegated to the "non-work" voluntary sector. A vast number of activities - everything from visiting isolated senior citizens to recreation programs for children - were suddenly given the status of real work because money had become available to provide salaries for doing them. In some instances the same person doing the

same job moved over-night from being an unemployed volunteer to an employed worker. Without having intended it, the federal government had de facto extended the range of activities which were considered valid work.

A "perception-gap", however, rapidly developed between the officials who were administering LIP and the communities which were running the programs. Government continued to see LIP as a stop-gap, make-work program responding to a temporary (it hoped) high-unemployment rate. The work being done by the LIP projects was perhaps better than projects to dig ditches that would have to be filled in next year but, as government continued to view it, not very different in its primary function. Beyond token references to assisting LIP projects find alternate means of funding (something which was rarely done), there was little acknowledgement by officials that the secondary role of LIP - the social role - was vitally important, and that many projects were meeting social needs that were seen as urgent in neighborhoods and communities.

On the local level, however, and particularly in low-income communities, the fact that jobs had been created was seen as being of lesser importance than the nature of the jobs themselves. For the first time, a whole gamut of socially productive activities was being made possible. Without any vocalization of the process, the traditional, narrow definition of what constituted work was giving way, and a new broader definition was emerging. The essence of that new perspective was that service to one's community is a valid form of employment which should be recognized and provided with stable, on-going financial support. On the

neighborhood level, the social role of LIP had been given a higher priority than the economic role.

It was this perception-gap that led to the confrontations before each coming termination date for LIP projects. On the one hand there was the community saying that important and real work was being done which must be continued. On the other hand there was the government arguing that the whole program was intended to respond to temporary and seasonal unemployment - in essence saying that only when "real work", as it perceives it, is not available, will these other kinds of activities be temporarily classed as work. And as for the services themselves and the communities' on-going need of them, that was seen as no concern of a job creation program.

The lesson of LIP, which must be applied in designing the community employment program, is clear: The program cannot be based on such an obsolete and limited goal as filling in "temporary" job gaps created during periods of high unemployment. But that is not the only lesson which must be applied in designing the community employment program.

In our 1971 statement on income security we asserted that Canada was moving from the stage of an industrial society to that of a post-industrial society and that, for the traditional labor market, "the era in which the number of job opportunities could roughly approximate the number of persons seeking work has ended". That the job gap in the traditional labor market is not a temporary aberration appears now to have been conceded by government. In proposing a community employment program, the Working Paper notes that such "special

employment measures will be required to supplement general economic policies, and ... should be looked upon as a basic element of the social security system".

But if the special schizophrenia that characterized LIP has finally been laid to rest, a new form seems about to be built into its successor. The community employment program is seen, says the Working Paper, "as a means of meeting social needs that are now neglected or inadequately met". Having said this, it then proceeds to describe the community employment program as an employer of "people who have been unemployed for an extended period of time".

The Working Paper has conceded that the traditional labor market will need be supplemented by a continuing government financed community labor market. It has asserted that (since it has virtually unlimited scope for creating any kinds of jobs it chooses) the jobs created should be directed at "meeting social needs that are now neglected or inadequately met". It then jeopardizes this goal by suggesting that these jobs be only for those who cannot find traditional jobs.

The pragmatic fact is that it may well be advantageous, or even necessary, for some people who already have jobs to move into positions created by the community employment program, bringing the skills, experience and expertise needed to make particular projects work. By denying them these skills, an insistence on employment only of the long-term unemployed could keep many valid projects from succeeding in their objectives. Such a result would lead to

the ultimate degeneration of community employment into a make-work program.

We realize, of course, that some priorities must be established for filling jobs created by the community employment program. We think it is important that those who do not have jobs and have been seeking work should be given first consideration for jobs in this program. We are particularly anxious that new employment opportunities should be opened up for the long-term unemployed and that they are given the highest preference in obtaining jobs. But these must be real jobs, meaningful jobs which have a future. And this means jobs that are viable parts of viable projects.

We do not want to see community employment become a kind of a "half-way house labor market" for those who have "failed" in the regular labor market. This would be an indefensible regression, not only for the individuals involved, but for the professed social goals of the program itself.

We do not think that there is great reason to fear that a flexible policy towards hiring some employed persons with specialized skills will create any significant shift from the general labor market to community employment. Nor do we think that the program in general will cause such a shift. Looking at figures from the 1971-72 LIP, we note that of some 92,000 persons employed in the program, only 15,000 were employed prior to starting work on LIP projects. Of these, 38% were employed part-time, 30% were on lay-off, 26% were seasonal employees with little or no income, 3% were unclassified, and only 3% (approximately 450 out of 92,000 - or $\frac{1}{2}$ of 1% of the total employed in the program) may have left full-time jobs to

take LIP work. It is impossible to argue that such tiny shifts will have significant impacts on the economics of the traditional labor market. They can, however, where they provide the essential "missing link", have important impacts in enabling projects to meet community social needs.

There remains, of course, the very important question of what is a "social need" in any particular community, and how these are to be determined. We believe that a reasonable solution would be a system of community boards which would make decisions as to the projects to be approved in their areas. The major criteria for the selection of members for these boards would be the significant representation of those who would be ultimately served by the community employment projects.

Within the framework of broad guidelines established by the federal government in consultation with provincial governments, these community boards should be given the authority to approve or reject projects in their area. A system of appeals should be established to handle complaints from those who feel themselves unfairly dealt with.

Since most of the projects under the community employment program will deal with social needs generated by poverty, the poor should be strongly represented on these community boards. There has been criticism in some low-income communities about LIP and Opportunities for Youth (OFY) projects that have offered services which are either of very low priority or even unwanted by the residents of the community. This has been particularly true of projects that have been "parachuted" into communities - projects that have been designed

by persons with middle-class backgrounds and that try to impose middle-class values on low-income communities. Participation by the poor - by those who will be directly affected by the projects - in approving and rejecting applications would help to avoid this problem.

Such a system of community boards is certainly not without precedent. The 1973 OFY program employed a system of Local Advisory (Selection) Committees which had the responsibility of screening applications from their area and making recommendations as to which projects should be approved. The 1973 LIP program has incorporated a somewhat different model, called Constituency Advisory Groups (CAG). Although both of these precedents are only partial when compared with the community boards which we believe are necessary, they nonetheless offer several valuable lessons.

The first of these is the necessity to separate the community board function from political level activity. The LIP Advisory Groups have been appointed on the basis of the federal electoral districts. Each member of Parliament was given the option of deciding whether he wished to have a CAG in his district. Approximately two-thirds chose to. Where the member opted for the formation of a CAG, the guidelines gave him the power to nominate at least three of its ten members - the only three members who represent the community-at-large instead of a special interest group. Clearly this model has a great potential for making the CAG's very political animals.

OFY, on the other hand, sought a much more apolitical structure. Instead of using electoral districts

as the geographic unit, the program guidelines spoke of sub-regions "based on conspicuous geographic or economic delineations". In view of the fact that electoral districts are drawn to meet population formulae, they are notorious for zig-zag boundaries that ignore the social and economic factors which define natural communities. For this reason alone, the flexible formula of OFY seems eminently more reasonable for a community employment program than does the LIP approach.

Furthermore, the appointment of OFY Advisory Committee members would seem much more to have reflected community processes than the political ones chosen by LIP. The general guidelines suggested that a majority of the members be from among the potential beneficiaries of the program (either the youth who would be employed or the segments of the community which would be served). Contrast this with the LIP formula which, not only gives local Members the power to dictate the form of community participation in the project selection process, but to decide whether or not there will be any such participation at all.

Clearly the OFY model and the experience with it warrants serious examination as a basis for establishing local boards under the community employment program while the LIP formula offers nothing but massive potential for political patronage and manipulation.

All projects under the community employment program should be subject to approval by the community boards. This should specifically include projects sponsored by various levels of government. It is often forgotten that LIP was a

two-part program: The well-known part was the one which made it possible for "local initiative groups" to submit applications; the other part, the forgotten one, was a continuation of the old municipal winter-works concept. When one examines these latter projects, it is no surprise that they have been forgotten. Virtually all were cast in the classic make-work mold; with very rare exceptions, they displayed neither imagination nor innovation. Such projects would not have been allowed to happen if they had been subject to approval by community boards on the basis of community social needs.

The role to be played by government should involve general supervision and, in particular, safe-guarding against abuse of power by the community boards. It would designate the total amount of funds available to each community board and perform the usual financial inspections. But its role should be primarily an enabling one rather than a directing one.

The community employment program should encourage innovation in meeting social needs. It should be willing to take risks and to invest in new approaches. In this capacity it could fill the present gap which is being only very partially filled by a few government grant programs, hard-to-locate private foundation grants, and usually inadequate united appeal funds. This is not to say, of course, that innovation should be the sole criterion. Many of the projects will be ones of proven value which might not have any other means of support except for community employment. However, the program should not be restricted only to tried, and "safe", projects. Some of the projects will involve risks, some will become controversial.

But if the community board feels that a project would be meeting an otherwise unmet need, then the risks should be taken.

There is little indication in the Working Paper of the sort of community employment program envisaged by the federal government; and what little there is, as noted earlier, seems substantially ambivalent. There has been even less indication of the views of the various provinces. We are therefore encouraged that at the Welfare Ministers' Conference in April and again at the Conference of First Ministers in May, the Government of British Columbia quoted our statement on Guaranteed Incomes and Guaranteed Jobs in setting out its views on a community employment program. We hope that this social perspective of such a program is general among the provinces.

A community employment program that is open in its eligibility for participation and decentralized and flexible in its administration - if it is adequately funded - can represent an important step toward the goal of ensuring employment opportunity for all Canadians. That such a program must be adequately funded should go without saying. Clearly, it should be of sufficient dimensions to provide jobs to all who seek them within the program. But it is not at all clear that this is the government's intention.

The Working Paper asks "What should the scale of the program be?" and suggests that limitations on the size of the program could minimize what it sees as a number of "potential problems". Incredibly, one of the things it sees as a potential problem created by the community employment

program is that of "increasing the number of people seeking employment": In view of its somewhat obsessive (in our view) concern with creating "incentives to work", it is hard to comprehend the Working Paper's concern that the community employment program will encourage people to seek employment. Surely the very best incentive to work is the opportunity of employment, and the community employment program should create as much employment as there are people seeking such employment.

Social and Employment Services

We referred earlier to the importance of the community employment program being sufficiently integrated with the traditional labor market that it becomes simply a new element in the general labor market rather than a stagnant labor pool isolated from the mainstream of employment opportunities. It is important that people be free to move in their employment between the public sector (of which the community employment program would represent only one small part) and the private sector, as well as within these sectors. And this involves the programs of Canada Manpower and of a variety of other departments and agencies at both the federal and provincial levels.

The deficiencies of these programs, individually and collectively so often cited, are clearly conceded in the Working Paper. Training programs that fail to train adequately (and often for jobs which do not exist) and placement programs that consistently fail to place have seemed the sum of

government efforts to date. It is therefore encouraging to note that the federal-provincial working party established by the Ministers' conference to develop proposals for an "employment strategy" is to include representatives of the federal Department of Manpower and the Unemployment Insurance Commission as well as federal and provincial welfare departments, and that it is to consider not only individual program needs but their relationships to each other.

While we look forward to their findings, we must confess that we do so with a certain degree of scepticism. The extent to which the Topsy-like growth of training and placement programs has been the product of tenacious myths, conventional wisdom and political expediency is the measure of their present horrendous state of duplication of ineffectuality. That all this will be quickly swept aside is a great deal to hope for.

Embarrassingly high unemployment rates and growing welfare rolls have led to training programs that were never directed at real job opportunities but only at reducing the conspicuousness of high unemployment. The widely publicized existence of job vacancies led to the creation of more and more "placement services" which ignored the fact that those they purportedly were to place lacked the specialized skills being sought in the vacant jobs.

These political responses, which have spanned much of the past decade, resulted from the continued refusal to accept the fact that the traditional labor market was simply no longer capable of providing jobs for all who sought

them. An additional benefit of the establishment of a permanent community component to the Canadian labor market may therefore be that we can now jettison the myths and conventional wisdom and the programs which they bore, and construct new employment service programs that are based on realities instead.

This hope is heightened by the Working Paper's discussion of a "social and employment services strategy" to complement the more traditional employment services. Such things as homemaker and child care services and programs of school lunches and after-school care are critically important for increasing numbers of Canadian families - and most particularly so for single-parent families. For a sole support mother, for example, the service that is an essential precondition to her being enabled to enter employment has nothing to do with Manpower. Very often she doesn't need training; she doesn't need counselling; she doesn't need placement. What she needs is child care that is reliable and financially accessible. It is encouraging to see this fact apparently being recognized in the Working Paper. We will be anxious to see the nature of the proposals that ultimately emerge from the federal-provincial deliberations in regard to such services.

Apart from services that are related to employment, there is little discussion of social services in the Working Paper. It is, as it says, a Working Paper on social security. We hope, however, as these new approaches to employment-related services are evolved, they will not be considered in isolation from the full range of social services. There have been encouraging attempts in various parts of Canada to bring about

an integration, in some cases, and a coordination in others, of at least parts of the present disjointed range of social services. Because these services have been, variously, the products of three levels of government and a multitude of private agencies, the task has proven a difficult one whenever it has been attempted. Perhaps the promise of a coordination and even a partial integration of the employment-related services of the various departments and levels of government will encourage such efforts throughout the social service field.

These proposals for broadening the Canadian labor market through the creation of community employment opportunities, for reconstructing our manpower services and for developing and making accessible such long-neglected essential services as child care are all advanced in vague, tentative and general fashion in the Working Paper. All point in the right direction but in each case the fulfillment of their promise must await the concrete program outlines that are to emerge from the federal-provincial meetings. Collectively they could represent a major advance toward one of our twin goals - that of ensuring employment opportunity for all. But because wages cannot take into account family size, such programs will not alone achieve the companion goal of ensuring an adequate income for all Canadians.

AN INCOME STRATEGY

The Working Paper describes an "acceptable basic income" as "the central objective of social security in Canada" and the "starting point" for attaining the "broader social objective" of "a decent quality of life for all" and "individual self-fulfillment for each". It offers three propositions under the heading "An Income Supplementation Strategy" and three propositions under the heading "A Federal-Provincial Strategy". As well, one of the propositions listed under "An Employment Strategy" is presented in terms of the income supplementation strategy, so a total of seven of the Working Paper's fourteen propositions form a part of the three-pronged approach it sets out for providing income adequacy for all Canadians.

The three income supplementation propositions call for:

- (1) a universal (but taxable) family allowance program;
- (2) a wage supplementation program, based on family size, for the working poor;
- (3) a guaranteed annual income program for "the retired or disabled, single-parent families, and people who are not presently employable by reason of a combination of factors such as age, lack of skills or length of time out of the labour market".

The collective result of these three programs, according to the Working Paper, will be to virtually eliminate all present needs-tested social assistance programs, replacing them with this new structure of income tested programs.

The federal-provincial propositions propose that the federal government would legislate national norms and minimums with respect to each of these programs. The total federal payments in any province would be based on these norms. A province, however, would be free to legislate benefit levels for any of these programs that are less than the norm, but not less than the minimum, provided the money thus saved was applied to increase benefits under another of these programs to more than the norm. Thus, a province could, for example, reduce the level of the guaranteed income by increasing the amount of the family allowance payments or the wage supplementation levels.

The employment strategy proposition which relates to the income supplementation propositions is that there always be a financial advantage to working, be it full-time or part-time. Thus the wage supplementation proposal for the working poor talks of a negative income tax approach of reducing the supplement by only a proportion of increases in earned income, while the guaranteed annual income proposal for the aged, disabled, single parents, etc. calls for either this same negative income tax approach or a certain amount of fully exempt income followed by a dollar for dollar recovery.

The proposed timing of the various proposals is that the family allowance legislation would be passed by Parliament - and by whichever provincial governments wish

to vary the payment levels from the \$20 a month per child national norm - in 1973 with the new payments beginning January 1, 1974. The balance of the program would be developed jointly by the federal and provincial governments over a period of two years or less (beginning last April) and its implementation would be completed within one to three years thereafter.

The Working Paper identified the change in the family allowance program as being of first priority, the April meeting of federal and provincial welfare ministers confirmed this ranking, and legislation was introduced in Parliament before its summer recess. It therefore seems reasonable to begin our consideration of the government's "income supplementation strategy" with this program.

Family Allowances

The new family allowance program is to come into effect on January 1, 1974. As an interim measure, benefits under the old legislation were increased to \$12 per child per month for the three month transitional period which began October 1. Until this interim adjustment, the family and youth allowance programs, as they existed in Canada for many years, provided tax-free payments of \$6, \$8 and \$10, depending upon the age of the child, on a universal basis (subject only, in the case of youth allowances for children 16 and 17 years of age, that they still be attending school). The average payment was \$7.21 per child. The cost of the program was \$640 million annually. The new program will cost \$1.8 billion but, the

payments being taxable, the federal treasury will recover \$350 million. The net additional cost of the program will thus be slightly in excess of \$800 million; the total net cost of the program approximately \$1.5 billion.

The program of direct payments to families, however, is only the most conspicuous of Canada's two family allowance programs. The other is found in the Income Tax Act. Its deduction provisions of \$300 for dependent children under the age of 16 and \$550 for those 16 and over have a regressive graduated effect, providing largest benefits to those with highest incomes. Thus the deduction from taxable income of \$550, for example, is of no benefit at all to the man too poor to pay any tax; it is worth \$118.25 to the man whose modest \$500 of taxable income means a marginal tax rate of 21.5%; and to the man with taxable income of more than \$60,000 and a marginal tax rate of 59.5%, it is a benefit of \$327.25 in tax which need not be paid. The cost of these deductions to the federal treasury is \$500 million, making the total net cost to the federal treasury of Canada's two family allowance programs roughly \$2 billion.

But what of the distribution of this \$2 billion in combined family allowance benefits? How much of it is directed to the poor, how much to the near poor and how much to those who are not poor at all?

A sample family, consisting of a husband who is the sole income earner and taxpayer, a wife and two dependent children, one aged 10, the other 16, was selected and the combined effects of these programs charted. Although provinces are free to make limited variances in benefit levels on the

basis of children's ages or family size (but not family income), only Quebec and Alberta have chosen to do so. (Prince Edward Island and Quebec also plan supplementary provincially-funded family allowance schemes). The tables represent the distribution of benefits calculated on the basis of the standard federal payments of \$20 per child per month that will be received by families in eight of the ten provinces. Since provincial tax rates vary slightly, it was necessary to situate our sample family in a sample province - in this case, Ontario. The figures at the left represent income levels, the other three columns represent:

- (a) the amount of \$20 per child, per month family allowance payments retained, after taxes, in a year;
- (b) the amount of tax saved in a year as a result of the children's deductions;
- (c) the combined benefit from (a) and (b).

	(a)	(b)	(c)
INCOME	NET FAMILY ALLOWANCE	TAX BENEFIT	TOTAL
\$ 3,000	\$ 480.00	\$ 0.00	\$ 480.00
4,000	460.10	62.50	522.60
5,000	363.11	207.98	571.10
6,000	356.89	219.00	575.89
8,000	349.38	231.31	580.69
10,000	336.94	253.34	590.28
12,000	324.50	275.37	599.87
15,000	299.60	323.30	622.90
25,000	270.70	370.64	641.34

As the table clearly indicates, when the graduated effect of the Income Tax provisions is added to the universal family allowance payments - even after these payments have been made subject to tax - the combined effect rises in direct proportion to income. That is, given the same family size, the combined benefit is always larger for the man with more income than for the man with less.

Family allowance payments averaging \$20 per child, per month, rather than \$7.21 are, of course, welcomed by the poor. Taxing these payments so those with the highest incomes retain less of these payments than those with the lowest incomes is also a welcome - if slight - shift in the dispensation of the resources of this program. But the result remains that Canada's two family allowance programs, taken together, continue to provide the bulk of their benefits to the non-poor - and their highest benefits to the most rich. If the children's deduction were removed from the Income Tax Act and this \$500 million included in the direct payment family allowance program, these allowances would rise to an average of \$27 per child per month and the poor and the near poor would at last begin to get their fair share of the benefits of our family allowance programs.

It should also be noted that making the new \$20 per child per month family allowances taxable will not only return \$350 million of the federal government's initial \$1.8 billion outlay to the federal treasury, but it will bring windfall returns totalling roughly \$115 million to the ten provincial treasuries. This is because an average of one-fourth of our income tax is provincial rather than federal.

What are the provinces planning to do with this "family allowance money"? Will they be using it to increase the allowances in their province, will they use it to increase social assistance levels for those most in need, or will they use it for purposes completely unrelated to the needs of families?

In our view there can be no question but that a strong moral obligation lies on the provinces to distribute this family allowance windfall among families in need, either through an income-related supplement to family allowance payments to low income families, or through an increase in the children's provision in social assistance benefits. If our suggestion that the dependent children's deduction in the Income Tax Act be removed in favor of higher direct payment family allowances were to be acted upon, this would result not only in the further \$500 million in federal tax revenue but, for the reasons described above, increases in provincial tax revenues as well. Again, these could be used to further supplement family allowance payments and/or social assistance benefits.

At present only the Province of Quebec, which collects its own income tax, has abolished the children's deduction in its provincial tax, collecting an extra \$50 million which it pays out in supplementary family allowances. If the federal government and the nine other provinces were to follow Quebec's lead, the result could be substantially higher family allowance payments for all, in place of the present inequitable combination of direct payments and indirect tax benefits. Even if these payments were made on a universal basis, by virtue of their being taxable, at least

a modest degree of selectivity would exist in the program - a selectivity in favor of the poor rather than the present selective effect in favor of the rich. Most of the \$2 billion plus would still remain with the three-quarters of Canadian families who are not poor, but at least a higher percentage of it would wind up in the hands of the poor than has been the case in the past or will be the case even after implementation of the new family allowance program.

As the above discussion should indicate, programs of universal family allowance payments - even taxable ones - are not about to end poverty in Canada. As long as the highest income earner in the country, paying tax at the highest marginal tax rate the system provides, still retains more than 40% of his allowance, it would require very large amounts of money to ensure even poverty-line minimum incomes to all by way of a system of universal demogrant alone.

Such a system is, of course, fully possible. It is also highly desirable and, we believe, ultimately inevitable. It will involve a major increase in the extent to which the distribution of our national product is governed by the public sector and will need be accompanied by real tax reform so that the taxable demogrant is truly taxed in the hands of the wealthy. It is unlikely to happen overnight; but such things as the recent increase in the universal Old Age Security pension and the present increase in the universal family allowance represent a gradual expansion in the universal base provided by such demogrant.

For the present, selective programs, such as the Guaranteed Income Supplement for the Aged, are required to fill

the substantial gap between the demogrant base and minimum requirements of those with little or no other income. It is this gap to which the other two income supplementation proposals of the Working Paper are directed.

Wage Supplementation

The first of these represents the Working Paper's most major proposed departure from present practices (or lack of them) - a program of wage supplementation for the working poor. As we noted in our 1971 income security statement and our 1972 guaranteed incomes and guaranteed jobs statement; as the Senate Committee on Poverty pointed out in its 1971 report; as the Economic Council of Canada reported in 1968; as has been noted, cited, pointed out and referred to over and again for years and years with no apparent effect on policy-makers: The bulk of Canada's poor - two-thirds or more of them - are working. For the most part, working full-time and year round - but at wages providing an income less than the minimum necessary to support their families.

Apart from the universal family allowances program, virtually no income support at all has been provided to such families. In most provinces they have been barred completely from receipt of any social assistance; in others a miniscule number have been able to obtain modest supplementation from welfare departments. This Working Paper proposal may therefore represent a major breakthrough toward eliminating poverty in Canada.

What the proposition says is:

That the incomes of those who are working but whose incomes are inadequate by reason of family size (even after the increase in family allowances proposed above) or by reason of the nature of their employment (low-paying self-employment or intermittent or partial employment) should be supplemented under a single, general income supplementation plan, with built-in work incentives.

This promise of a program of income supplementation of the wages of the working poor is long overdue and exceedingly welcome. But the questions about it which the Working Paper says "would have to be answered in the course of the federal-provincial review" are highly disquieting.

The first question it asks is:

Would everyone be entitled to the benefits of such a universal income supplementation plan, or should it be restricted to families with dependent children, and to single individuals and couples who have established themselves in the labour force (e.g. over 35 years of age and with a certain defined number of years in the labour force)?

No reason is given for the suggestion that perhaps single people and childless couples, less than 35 years of age and/or without a certain number of years in the labor force, should be excluded. Employment surveys consistently report that it is those under 35, with the least seniority and the most limited work experience, who have the greatest difficulty in obtaining continuing employment and are therefore most subject to the "intermittent or partial employment" referred

to in the proposition as a primary reason for the need of such a program.

The 1971 report of the federal government's Committee on Youth provided a detailed examination of the problem of youth unemployment. It found unemployment among males under the age of 24 to be 2.5 times the national average and for females under the age of 24 to be 1.5 times the national average. Moreover, it found that slight increases in national or regional unemployment rates were magnified many times in their effects on young people in the labor force. Almost invariably it is the last employee hired who is the first laid off and, again almost invariably, this is the young worker.

The Youth Committee report illustrated this with figures from Statistics Canada's Labor Force Survey. To cite only one of the many illustrations it offered: male unemployment in Canada rose from 4.0% in 1966 to 6.6% in 1970; an increase of 2.6%. But this increase was by no means evenly distributed across the labor force. For those between the ages of 35 and 44 this meant an increase of 1.8% in their unemployment rate - from 2.8% to 4.6%. For those between the ages of 19 and 24 it meant an increase of 5.2% in the rate of their unemployment - from 5.3% to 10.5%. For those under the age of 19 the problem was even more acute, an increase of 5.4% - from 9.6% to 15.0%.

How is it possible to justify excluding from a program designed to mitigate the effects of such circumstances the very people who are most subject to them? Such an exclusion would be arbitrary, discriminatory and totally

incompatible with the Working Paper's declared goal of ensuring a "basic income for all Canadians". It is disconcerting that such a suggestion has been raised in the Working Paper, even as a possibility for consideration. It should be rejected out of hand.

The further questions asked by the Working Paper are similarly cause for concern. It asks, for example, what should be the "income standard" on which eligibility for supplementation would be based, and then sets out several possibilities. None of these is the obvious - the poverty line.

In its report, Poverty in Canada, the Senate Committee on Poverty set out a series of poverty lines for various sized families and outlined how these figures could be updated from year to year. Because they involve data that emerges from Statistics Canada on a two-year delay basis, the Croll Committee's 1971 report presented poverty lines calculated on the basis of 1969 data. At present these can be updated only to the extent of 1971 data. The resultant poverty lines - for 1971 - are:

<u>Family Size</u>	<u>Poverty Line</u>
1	\$ 2,490
2	4,150
3	4,980
4	5,810
5	6,640
6 (*)	7,470

(*) For each family member after 6, add \$830.

These poverty lines are not, however, cited by the Working Paper as a possible basis for fixing income standards. Instead, such things as income tax exemption levels are cited as possibilities. Not only are these substantially below poverty lines, but they represent nothing more than the product of a succession of finance ministers having manipulated a series of fiscal levers, of which they were one. They are no standard of human need.

Minimum wage levels are another possibility mentioned in the Working Paper. The seriousness with which the Working Paper advances this possibility may be indicated by its earlier reference to minimum wages. In setting out the broad principles upon which it believes Canada's social security system should be constructed, it suggests four "guiding principles". One of these is that:

A fair and just relationship must be maintained between the incomes of people who are working at or near the minimum wage, the guaranteed incomes assured to people who cannot work, and the allowances paid to those who can work but are unemployed.

The question which immediately comes to mind in considering this principle is: What is meant by a "fair and just relationship" to minimum wage levels? These levels apply to the wages of individual workers, but they are referred to by the Working Paper in relation to the fixing of family income standards. No basis for a relationship - "fair and just" or otherwise - between the wages paid to an individual and the living costs of a couple is immediately apparent. Minimum wage levels, like income tax exemption levels, would seem a somewhat arbitrarily selected basis for the fixing of income

standards for families.

Presumably the rationale for employing minimum wage levels for this purpose is that many Canadian families are living on the income of a sole wage earner working at the minimum wage. But are they? Who, in fact, is working at the minimum wage? How many Canadians? In what provinces? In which industries? Are they the primary family breadwinners or second wage earners working part-time? No one seems to know; as far as we have been able to learn, not Statistics Canada, not Canada Manpower, not the federal Labor Department, not provincial labor departments.

Instead of suggesting that the need of a fair and just relationship to existing minimum wages imposes some form of ceiling on income standards for social security programs, why didn't the Working Paper suggest the raising of minimum wages? Increases in minimum wage levels may prove to affect few people directly, but they unquestionably provide both a higher assured floor below workers' earnings and raise the supposed ceiling on social security benefit levels.

In the six months since the Working Paper was published, all ten provinces have either increased or announced plans to increase their minimum wage levels. We find this highly encouraging for both of the reasons already noted. But even at these new levels, in nine of the provinces a full year's work at the minimum wage produces an income of less than the Croll Committee's poverty line minimum for two, calculated on two-year-old data. The federal minimum wage produces an annual income of \$3,950; almost, but not quite, enough for a childless couple to escape poverty - in 1971 prices.

As we have indicated, we see no reason why minimum wage floors should be ceilings for social security benefits. If, by coincidence, the annual income of one individual earning the minimum wage is adequate to ensure two people against poverty then it can be an acceptable basis for fixing such income standards. But it would be acceptable because it was adequate, not because it happened to be the minimum wage.

The Canadian Council on Social Development, in the recent report of its Task Force on Social Security, has suggested that the poverty line for two adults in 1973 is \$4,300. The federal minimum wage is expected to be increased shortly to something more than the \$2 per hour (\$4,160 annually) that is presently in effect in British Columbia and which will be in effect in Saskatchewan, Ontario, Quebec and Alberta by April 1. (By that time the B.C. rate will have increased to \$2.25 and in June of 1974 it will become \$2.50 per hour - \$5,200 on an annual basis.)

Assuming then a federal minimum wage that would not be less than this \$4,300 poverty line figure, we would see this federal minimum wage as an acceptable basis for establishing the national norm income standard for two adults. It should also be noted that the present income guarantee level of the Old Age Security-Guaranteed Income Supplement programs for couples 65 years of age and over is \$4,100. Since the Working Paper argues strongly for a social security system in which the present wide disparities between programs are replaced by consistent approaches, consideration of any figure less than this would seem to run counter to one of its most central themes.

Regarding the income standard to be applied with

respect to children, the Working Paper in its discussion of the deficiencies of Canada's present system of social security programs notes that: "it costs anywhere between \$500 and \$700 a year to raise a child". The Montreal Diet Dispensary's minimum budget figures - based on actual costs - place this at \$1,000. The new family allowance program will provide roughly one-quarter of this amount; the result is a need for income supplementation based on a potential deficit of between \$750 and \$800 per child. To suggest figures substantially below this is to pluck them from the air.

The Working Paper lists a number of further questions to be answered in relation to a wage supplementation program. One of these is "By how much should such family incomes be supplemented: by some proportion of the difference between actual family income and the so-called income standards?" If this is to be the case, and income supplementation is to be less than the full amount of the difference between a family's actual income and the income standard, then this eloquently argues the need to establish income standards that are fully adequate. It is patently indefensible to establish income standards at subsistence levels and then design a program which does not assure all Canadians even these levels.

Guaranteed Income

The final income supplementation proposal is that of a "guaranteed income" for the "retired or disabled, single parent families, and people who are not presently employable by reason of a combination of factors such as age,

lack of skills or length of time out of the labour market". This encompasses more than 95% of those presently on social assistance. (The Province of Quebec, for example, recently noted that while 17% of its welfare caseload were classed as "employables", only 3% were in fact presently potentially employable.) As an income tested, rather than needs tested, program it will bring a welcome end to what the Working Paper discretely refers to as the present "measure of investigation into family circumstances" inherent in social assistance programs.

But what sort of income will it guarantee? The Working Paper proposes that "The guaranteed income would be in the form of an additional income supplement over and above the general income supplementation ... with the guaranteed income being set at levels appropriate to the different groups of people involved". Further in the text it asks how these guarantee levels would be established "recognizing for example the different needs of single parent families and the retired and disabled".

We are not at all clear what is meant by these references to different levels appropriate to different needs of different groups. Surely there is no reason to expect that either a disabled single person or the single parent of a one parent family would have needs that are less than the \$2,150 income guaranteed to the single person over 65 under the Old Age Security-Guaranteed Income Supplement programs.

In fact, not only would it seem that the appropriate guarantee levels for these groups are very much the same, but why should they be different from the income standards discussed

in the wage supplementation section? Put another way, the question that emerges from the Working Paper's proposals for a program of wage supplementation for the working poor and a separate form of income guarantee for the non-working poor is: Why two programs?

Arguments over single program vs. dual program approaches have been current for as long as there have been proposals for income tested programs. Proponents of the two program approach point out that for those more or less regularly employed, the minimum income level guaranteed by the program is less important than the recovery rate on earned income applied to it. Thus a relatively low guarantee level combined with a low recovery rate will extend benefits for them further than will a higher guarantee level if it is combined with a higher recovery rate. On the other hand, for those outside the regular labor force, such as the aged and disabled, whose only income from employment is a very modest amount of casual earnings, the recovery rate applied to these casual earnings is far less important than the minimum guarantee level.

This can be illustrated by a simple example. Using round figures: a \$2,000 guarantee level and 40% recovery rate vs. a \$2,500 guarantee level and 60% recovery rate. In the first situation the \$2,000 benefit is reduced by 40¢ for each dollar earned, so a person who earned \$4,000 would have his benefit reduced by \$1,600 and his total would be \$4,400 (\$4,000 earnings plus \$400 benefit). A person whose only earnings in the year were \$500 would have his benefit reduced by \$200 and the resultant total would be \$2,300 (\$500 earnings plus \$1,800 benefit). If the guarantee level were \$2,500 and

the recovery rate 60%, the person earning \$4,000 would see his benefit reduced by \$2,400 and wind up with \$4,100 (\$4,000 earnings plus \$100 benefit), while the person able to earn only \$500 would see a \$300 reduction in his benefit and wind up with \$2,700 (\$500 earnings plus \$2,200 benefit).

Those who argue for two programs say that in this way the interests of both groups can be best met. They are right, of course, if the choice for a single program is between low benefit and recovery rates on the one hand, and high benefit and recovery rates on the other. If this really is the choice, then we would agree to the rationale for two programs. There is certainly no point to "playing off" the interests of the working poor against those of the aged and disabled and, probably, winding up with something not very reflective of the interests of either.

But there is another choice, one that gives maximum recognition to the interests of both groups. That is high benefit levels and low recovery rates. To return to our examples, combining the \$2,500 guarantee level with the 40% recovery rate, our \$4,000 earner will have \$4,900 (\$4,000 earnings plus \$900 benefit) while the \$500 earner will have \$2,800. The cost of a high benefit and low recovery rate scheme is, of course, higher than for the two program approach. But it is higher because it can ensure minimum incomes sufficient that none are left below the poverty line while featuring recovery rates that are not unreasonably high.

The commitment to such a comprehensive guaranteed adequate income program, we believe, should come from the

present federal-provincial review. If governments are not prepared to immediately commit the necessary resources to it, then a phased approach to such a program can be achieved through the sort of two program approach suggested in the Working Paper. But such an approach must be seen as being only a first step towards a comprehensively adequate single program. It can be more acceptable as a first step than a single program whose compromises on benefit levels and recovery rates make it inadequate to the needs of all groups simultaneously; but only if certain crucial questions about the definitions of the two categories are adequately answered.

The very idea of a two category, two program approach raises concern because of the unfortunate history of categorical programs in the welfare field. It is a history of rigid definitions of categories, rigidly applied. If the two category approach being proposed in the Working Paper is to work, this history must not be repeated.

Eligibility for the high benefit level, high recovery rate guaranteed income program, suggests the Working Paper, would be extended to the "retired or disabled, single parent families and people who are not presently employable by reason of a combination of factors such as age, lack of skills, or length of time out of the labor market". Each of these categories could be the basis for narrow definitions enforced in the same restrictive fashion that has characterized social assistance programs. (When, for example, is a person "disabled"; when has a family become a "single parent family"; when is a person "not presently employable"?) Or the categories could be left to define

themselves. This is the approach recommended several years ago by the Castonguay-Nepveu Commission.

This self-defined category approach recognizes what was demonstrated by our earlier illustration - that once income from employment passes a certain level, a person is better off on a low benefit level, low recovery rate program than he is on a higher benefit level, higher recovery rate scheme. Thus the individual would choose, on the basis of his earnings, which scheme he wished to be on in any given year. In the result, it would be the aged, disabled, single parents and others unable to undertake regular employment who find themselves better off with higher guarantee levels and a higher recovery rate; but this would flow from the economic realities of their situation and not from the bureaucratic imposition of a policy-maker's definition.

National Norms

The federal-provincial strategy - the national norms and national minimums - represents, in our view, an exceedingly important innovation. On the one hand, by permitting provinces to vary benefit levels among their social security programs, but not to spend federal contributions intended for social security on roads or industrial incentive give-aways instead, it may represent the long-sought solution to the jurisdictional impasse which has blocked urgently needed initiatives in the social policy field.

On the other hand, and the cause of some concern

in this area, is how great the disparities in benefit levels across Canada might become. Great disparities already exist between provinces in such areas of provincial jurisdiction as social assistance levels and minimum wages, while uniformity exists in such things as pension benefits and unemployment insurance simply because these are within the federal jurisdiction.

Of greater concern than simply minimizing disparities in benefit levels, however, is ensuring their adequacy. If disparities are the result of some provinces providing benefits that are more than adequate, this is not of great concern. If disparities result from some provinces providing benefits that are less than adequate, however, this is a matter for considerable concern.

It is not at all clear whether the extent of provincial variance permitted in the family allowance legislation is at all an indication of the extent of the variances that will be permitted in the income supplementation and guaranteed income programs. If it is, then there is cause for concern; because the family allowance legislation permits provinces to establish benefit levels that are only 60% of the national norm.

As was discussed earlier, the Working Paper's few references to possible income standards do not inspire confidence that these levels will be more than - at most - minimally adequate. There is certainly no indication that they will be sufficiently generous to permit benefits - even in provinces where living costs are particularly low - to fall substantially below the national norm without the result being

guaranteed levels of destitution. If there is to be provision for substantial variances from the national norms, then this is further reason why these norms must be established at sufficiently high levels to permit this. The object of the present review process must be to eliminate poverty in Canada - not merely to restructure it.

Indexing Benefits

Even adequate benefit levels do not stay adequate long unless there is provision for their regular escalation. The Old Age Security - Guaranteed Income Supplement programs for the aged provides for automatic increases in benefit levels to match increases in the cost of living. The family allowance legislation permits periodic increases in benefits by Cabinet Order "to take into account changes in consumer price levels", but does not require them.

The question of escalation procedures for benefit levels is one that becomes increasingly important as the rate of inflation in Canada continues to rise. The provision in the Old Age Security - Guaranteed Income Supplement programs for automatic escalation of benefits to take account of increases in the consumer price index had called for this escalation to take place on an annual basis. In response to a rate of inflation of 4.5% in the first seven months of the present year that threatened to very drastically reduce the real value of benefits, the government has now provided for this adjustment to take place every three months. The

provision in the family allowance legislation could also permit increases to be made more frequently than once each year - but it could equally permit them to be made even less frequently.

Experience with social assistance levels which often have had no adjustment made for the effects of inflation for two years or more inclines us to fear that the latter may be more likely than the former. And the \$20 monthly allowance proposed in April will already be worth less than \$19 by the time the first cheques appear in January.

As the government's response in the case of Old Age Security - Guaranteed Income Supplement benefits has shown, there is no reason why automatic escalation provisions should not operate more often than once a year. There is also no reason why increases in benefit levels under social security programs should escalate only with the cost of living index. It is far more reasonable that these should be tied to the index of per capita personal disposable income - the increase, after taxes, in the average Canadians's income.

In 1971, for example, the gross national product grew by 9.3% while the consumer price index recorded a 5.0% increase in the cost of living during that year. Because some of the increase in national productivity is, for example, retained by corporations for reinvestment, not all of it is translated into increases in the personal disposable income of Canadians. But rates of increase in personal disposable income generally parallel rates of increase in the gross national product. In 1971 the 9.3% increase in the gross

national product was reflected in an 8.6% increase in the personal disposable income of the average Canadian. When social security benefits are escalated only by the increase in the cost of living index, their value remains constant in terms of absolute purchasing power but declines in terms relative to general community standards. What this means, using 1971 as an example, is that while the average Canadian's income increased by 8.6%, those on social security programs indexed to the cost of living would have their incomes increase only by 5.0%.

Unless it is our intention that those receiving support through income supplementation and guaranteed income programs should fall further and further behind the standard of life enjoyed by the average Canadian, benefit levels under these programs must be tied not just to the cost of living but to a standard such as the index of per capita personal disposable income.

Last month the federal-provincial conference of welfare ministers agreed to an escalation of the maximum pensionable earnings provisions of the Canada Pension Plan and Quebec Pension Plan based on increases in the Industrial Composite of average weekly earnings across Canada. The Government of British Columbia has suggested that this same index be employed for escalating benefits under all social security programs. This suggestion warrants serious consideration. Like the index of per capita net disposable income, the Industrial Composite's record of changes in the levels of wages and salaries earned by Canadian workers reflects the rate of improvement in incomes of Canadians generally.

Whether it is the index of per capita net disposable income, the Industrial Composite of weekly wages and salaries or some other index, what is clear is that the basis for escalation of benefits under Canada's social security programs must be reflective of increases in community income standards and not just of increases in the cost of living. To do otherwise is to deliberately widen the gap between the incomes of those Canadians who are poor and the rest of the Canadian society.

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